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Viewing cable 07SOFIA1122, SHIP DEAL WITH FRANCE TO DERAIL BULGARIAN MILITARY

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Reference ID	Created	Released	Classification	Origin
07SOFIA1122	2007-09-18 13:53	2011-08-30 01:44	SECRET	Embassy Sofia

Appears in these articles:

<http://www.bivol.bg/wlarmy.html>

<http://balkans.blog.lemonde.fr/2011/05/05/et-la-bulgarie-renonce-aux-corvettes-francaises/>

http://www.capital.bg/politika_i_ikonomika/bulgaria/2011/05/05/1085393_kak_se_pileiat_pari_v_otbranata/

VZCZCXRO0558
PP RUEHDBU RUEHFL RUEHKW RUEHLA RUEHROV
DE RUEHSF #1122/01 2611353
ZNY SSSSS ZZH
P 181353Z SEP 07
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S E C R E T SECTION 01 OF 02 SOFIA 001122

SIPDIS

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E.O. 12958: DECL: 09/17/2017

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SUBJECT: SHIP DEAL WITH FRANCE TO DERAIL BULGARIAN MILITARY
MODERNIZATION?

Classified By: DCM Alex Karagiannis for reasons 1.4(b) and (d).

¶1. (S) Summary: Several Bulgarian defense officials expressed concern over a plan, currently in its final stages, to purchase four Corvette class ships from France at a cost of over one billion dollars. Such a large expenditure for ships that do not fill an operational need would, according to our sources, threaten to derail all other priority modernization projects. This plan is viable solely because of political pressure to present a deliverable to President Sarkozy during his early October visit. Although at least one Ministry of Defense official believes that the sale will go through unless the United States intervenes, Ilko Dimitrov, the Deputy Head of the Defense Committee in parliament is confident the deal will be abandoned or at least delayed by several years. As the Bulgarians grapple with military modernization, we and NATO can help keep Bulgaria focused on priorities, practicalities and fiscal realism. End Summary.

Possible new purchase threatens to break the bank(

¶2. (S) French President Sarkozy's planned early October visit has ignited a run on possible deliverables, especially given France's role in freeing the Bulgarian nurses in Libya. Among the flurry of possible, mega-sized deals is one involving defense procurement. XXXXXXXXXXXXX expressed deep concern over a plan by the Bulgarian Ministry of Defense to purchase four French Corvettes. According to XXXXXXXXXXXXX there is no operational need for these ships and the purchase is not in line with Bulgaria's defense modernization priorities. Although he did not quote a dollar figure, other sources have estimated that the deal would cost more than one billion dollars, not including armaments. (By comparison, Bulgaria's defense budget for 2007 is between 640 and 700 million dollars.) In addition to the large initial price tag, XXXXXXXXXXXXX said he feared that follow-on costs associated with this purchase would be significant and would force massive cuts elsewhere in the armed forces in coming years.

¶3. (S) According to a different source connected with the Ministry of Defense, the French shipbuilding company Armaris will be awarded the contract during French president Sarkozy's visit. As an offset, a French shipyard will place orders for the construction of 15 combat vessel hulls from the Flotsky Arsenal Ship Repair Yard in Varna. This source, like XXXXXXXXXXXXX, was not convinced that the strategic benefits of the purchase were worth the cost.

¶4. (S) A third source, XXXXXXXXXXXXX, also confirmed that this deal is underway and lamented that it appears to be going forward despite not being one of the official force goals for Bulgaria. His assessment was that such a large naval purchase would have serious adverse consequences on the modernization efforts of the other Bulgarian services.

Possible Timelines

¶5. (S) In addition to political factors outlined above, a clearly concerned XXXXXXXXXXXXX hinted that some highly placed officials in the Ministry of Defense would stand to benefit from the deal. He stopped short of asking the U.S. for any kind of assistance in this matter, but said he feared that the deal would go through, unless "powers higher than the Minister of Defense" were engaged on the matter.

¶6. (S) Ilko Dimitrov, Deputy Chair of the Defense Committee in Parliament, differed with XXXXXXXXXXXXX on the likelihood of the deal being concluded. According to Dimitrov, the document set to complete the tender with Armaris has been drawn up and that negotiations with the French are in the "final stage." But he believes the project is almost certain to be abandoned or at least delayed several years. While the Bulgarian Navy and certain players within the Ministry of Defense are still pushing hard for the purchase, the price tag is simply too large and it will never pass through the Defense Committee in parliament. Dimitrov noted that the French government and Armaris both had strong lobbies in

Bulgaria. He believes that Sarkozy will push hard for the project during his visit to Sofia, and that either Prime Minister Stanishev or President Parvanov will have the difficult task of explaining why Bulgaria will have to back out on the project at this late stage.

A military rationale?

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¶17. (S) Although nearly all our interlocutors agreed that the purchase of the French Corvettes was not a strategic priority, they all admit that design and construction of Multi-Purpose Corvette (MPC) Class ships is listed as one of Bulgaria's defense priorities in the 2015 Modernization Plan approved in 2004. While the United States supported the intent of the 2015 plan, we have also focused on its flaws, namely that Bulgarian planners did not attempt to prioritize new programs between the military services and did not balance program costs against a realistic annual budget. The 2015 plan is a compilation of each service's wish lists for new procurements. Within the Ministry of Defense, the plan is widely seen as defunct, and its imminent reform is a recurring hope. Nevertheless, champions of a Corvette purchase can point to the 2015 plan as justification, irrespective of its comparative merits.

¶18. (S) To solve this lack of priority focus and to prevent similar ones in the future, Dimitrov suggested the advisability of NATO assistance in crafting a revised modernization plan to replace the current one. An impartial evaluation by NATO of the strategic merits of Bulgaria's upcoming modernization programs would be key to maintaining a budgetary balance between the services and to keeping Bulgarian military modernization on track.

¶19. (S) Comment: The juxtaposition of high-level politics and massive defense sales have stirred the pot here. While the Corvette issue has elements of garden-variety inter-service squabbles over funding, the sheer size of this potential purchase, has generated friction inside the Ministry of Defense and beyond. Bulgaria has a history of reaching large deals and then backtracking or even canceling them. From Dimitrov's comments it sounds as though cooler heads will prevent this sale from proceeding to conclusion. We will pulse -- and encourage -- decision-makers to focus on genuine NATO priorities and fiscal realities. To do that we will work with NATO to help Bulgaria craft a more forward-looking and more realistic modernization plan. End Comment.
Beyrle